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FUTURE PROJECTIONS OF UZBEKISTAN'S ECONOMIC RECOVERY AFTER THE PANDEMIC

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ABSTRACT

The novel coronavirus (COVID-19) is challenging the world. With no vaccine available and only partial medical capacity to treat the virus, no pharmaceutical interventions (NPI) are the primary strategy to contain the pandemic. Unprecedented global travel restrictions and stay-at-home orders are causing the most severe disruption of the global economy since World War II. The paper brings some statistics on the current situation and discuss economic recoveries after the earlier crisis caused by epidemics as SARS, H1N1, and MERS. It explores the ongoing situation in Uzbekistan and provides a future forecast on the country's economy during the post-pandemic period.

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INTRODUCTION

In recent years, integration processes in the world economy have been accompanied continuously by the action of de-integration factors (an increase in the number of "hot spots," the sanctions struggle, the spread of various diseases). At the end of December 2019, an outbreak of the coronavirus COVID-2019 was recorded in Wuhan, China, which forced the world to change its attitude towards the current socio-economic policy dramatically. The epidemic of the new coronavirus COVID-19 that began in China, according to the World Health Organization, has now acquired the status of a pandemic. (*Novel Coronavirus – China* 2020) The number of cases of this virus is growing day by day. Further events are developing rapidly: if as early as January 15, the number of officially confirmed cases of infection did not exceed 50 people, and only one person died, then by January 26 the number of infected people exceeded one thousand, then the total number of people infected with coronavirus in the world by the morning of July 16 exceeded 13,5 million people. The pandemic has affected 188 countries. The evidence comes from the data of the Johns Hopkins University project published on the website. According to the project 13 554 477 people are infected in the world. The increase in those infected per day amounted to 219 thousand people. Over the entire period of the pandemic, more than 570 thousand patients have died, and more than 7.5 million people have recovered. (Johns Hopkins, *Covid19* 2020)

Today it is known that this epidemic has a severe impact on the economy and business of many countries of the world. Many global and national think tanks have called the coronavirus the new "black swan" (a global, challenging to predict phenomenon with significant consequences) of the world economy.

Bloomberg already estimates the economic damage associated with epidemics at \$ 5 trillion. The world is plunging into the deepest peacetime recession since the 1930s. According to the WTO, the fall in the volume of

world trade this year may be more than 30%. The US Federal Reserve System (FRS) reported that industrial production in the country fell 5.4% in March from the previous month and 5.5% compared to the same period last year. As a result, the fall was the strongest since January 1946. (WTO projections 2020)

The global impact of the coronavirus epidemic poses a serious threat to all aspects of the world - economic, social, development, and many other areas. Nearly 90 percent of global economic activity has been affected in some form by the coronavirus pandemic. Transnational trade links and supply chains have been disrupted, consumer demand has shrunk, and millions of people are out of work. These are the realities of the day.

The Current Situation in Uzbekistan

Uzbekistan reacted very dynamically to this dangerous challenge. Control measures were taken preemptively to limit the possibility of the virus entering the country. Thanks to these measures, on March 15, the first infected with coronavirus was detected at the airport upon arrival in the country. Moreover, already on March 19, the President issued a decree "On priority measures to mitigate the negative impact on the economic sectors of the coronavirus pandemic and the global crisis." This decree was followed by several government decrees, as well as the Presidential Decree "On additional measures to support the population, economic sectors and business entities during the coronavirus pandemic," adopted on April 3, 2020.

As of July 16, 2020, in Uzbekistan, the number of cases of coronavirus infection was 14,581 people, 8,655 citizens fully recovered, 6060 patients are being treated, of which 56 have a severe condition, 72 deaths (0.5%) were recorded. (Коронавирус инфекцияси (COVID-19) 2020)

How long will it take for the economy to recover after quarantine?

The results of international studies showed that after the end of the quarantine period, on average, it takes 3-12 months for the economy, including its most affected industries, to return to their previous level. In particular, it was found that economic activity is recovering faster in the electrical and light industries, in the building materials industry, construction works, financial and medical services (the average recovery period is 2-3 months):

Along with this, economic activity is recovering relatively slowly in the following areas: tourism - 5-10 months (H1N1 flu pandemic in Mexico in 2013 - 5 months, MERS epidemic in South Korea - 6 months, SARS epidemic in Hong Kong and China in 2003 - 5 months and ten months, respectively), services and retail trade - 4-6 months; passenger traffic - 3-7 months, including air transport - 5 months (SARS epidemic in Asia in 2003).

The relatively slow recovery of economic activity in these sectors is associated with the relatively late lifting of quarantine restrictions and the need for some time for the population to adapt to post-pandemic conditions.

In general, international studies show that one of the critical conditions for minimizing the negative economic consequences of a pandemic (epidemic) and ensuring a faster recovery of economic activity is to eliminate the pandemic (epidemic) as soon as possible by applying timely and strict (aggressive) quarantine measures against the spread of the virus," the review says.

Uzbekistan confronts the pandemic

experts explained that after the restrictions are lifted, and the functioning of business entities is restored, the bulk of the forced losses in budget revenues will be reimbursed.

Economic implications

Thus, according to experts from the World Bank, the spread of the coronavirus COVID-19 is a significant blow to the republic, and its transition to a market economy (Table 1). They forecast that economic growth in the country will decline significantly in 2020 as a result of a significant reduction in foreign trade and large-scale internal economic shocks.

Table 1. Dynamics of the main macroeconomic development indicators of the Republic of Uzbekistan according to the baseline scenario

Macro-indicators (2017-2019 - actual; 2020- 2022 - forecast), in%						
	2017г.	2018г.	2019г.	2020г.	2021г.	2022г.
Real GDP growth rates, at constant market prices	4,5	5,4	5,6	1,6	6,5	5,5
-Private consumption	1,3	3,8	5,4	0,4	6,1	5,4

-State consumption	6,1	3,7	5,5	6,5	5,2	4,6
-Gross investment in fixed assets	7,1	18,1	33,8	3,1	10,4	10,0
-Export of goods and services	1,3	10,7	10,9	1,2	6,7	10,1
-Import of goods and services	2,2	26,8	47,3	3,2	11,2	14,2
-Agriculture	1,2	0,3	2,5	2,6	2,8	3,4
-Industry	5,4	11,5	8,9	2,1	5,2	5,8
-Services	6,3	5,2	5,5	0,6	9,7	6,6
Inflation (private consumption deflator)	13,9	17,5	15,2	15,8	14,8	12,0
Current account balance,% of GDP	2,5	-7,1	-4,2	-8,5	-5,3	-2,6
Fiscal balance,% of GDP	-1,9	-2,1	-3,9	-5,6	-4,7	-2,5
Debt,% of GDP	20,2	20,6	29,0	32,1	33,1	33,0
General fiscal balance,% of GDP	-1,8	-1,7	-3,5	-5,1	-4,3	-2,2

World Bank Group. Fighting COVID-19. Spring 2020.

It is expected that real GDP growth rates in the republic will decline from 5.6% in 2019 to 1.6% in 2020. In the future, it is planned to restore economic activity and achieve GDP growth in 2021 - at the level of 6.5% in 2022 - 5.5%.

The growth rate of industrial production will decrease from 8.9% in 2019 to 2.1% in 2020, and the service sector over the same period - from 5.5% to 0.6%. A large-scale drop in production in the real sector of the economy will inevitably affect the state of public finances.

According to the forecasts of the World Bank experts, the current account deficit will increase from 4.2% to 8.5%, the public debt - from 29.0% to 32.1%, the overall fiscal balance - from 3.5% to 5.1% ... In the future, starting from 2021, in the event of overcoming the negative consequences of COVID-19, the dynamics of macro indicators will improve.

The assessments of domestic experts confirm these negative forecasts of the World Bank for 2020. Thus, according to Deputy Prime Minister - Minister of Economic Development and Poverty Reduction Jamshid Kuchkarov, GDP growth in Uzbekistan in the first quarter was at the level of 4.1-4.4%, which is 0.9-1.2% lower than the indicators of the same period last year. (5.3% in January-March 2019). The budget deficit in 2020 was projected at 2.7%, but taking into account the current situation; this figure could grow by 2 pp.

Considering the effects of the introduction of restrictions (quarantine) on the state budget of the country, it can be noted that there are various types of influence:

- *Firstly*, the budget is experiencing direct losses from the implementation of measures aimed at curbing the spread of infection (identifying infected, treating patients, organizing these procedures), transfers and subsidies to support specific sectors of the economy, business, and the population;
- Secondly, the state has introduced tax benefits for hotel spheres of activity, small business, individual entrepreneurs and individuals;
- *Thirdly*, taxpayers reduced payments for taxes and fees due to a drop in production (provision of services), suspension of activities and other reasons (reduced demand, lack of raw materials and components, lack of qualified personnel);
- Fourthly, payments to the budget from VAT and customs duties, excise taxes on imported types of products have decreased, which is associated with both a decrease in demand in the domestic market, the introduction of restrictions for importers, as well as problems with the manufacturers and suppliers of these products.

Looking ahead: Uzbekistan's economic recovery after the pandemic.

By the presidential decree of April 28 of this year "On measures for the widespread introduction of the digital economy and e-government," the Ministry for the Development of Information Technologies and Communications (Mininfocom) was determined as the authorized body in the field of development of the digital economy and e-government, as well as the organization and management of IT- parks. The decree, in particular, specifies the financial sources of new projects: in total, it is planned to implement 104 projects for 1.3 trillion soums in the framework of e-government, 87 for 5.3 trillion in the real sector of the economy, 35 for 15.1 trillion in telecommunications. , 18 - for IT-parks and 24 projects in the agricultural sector.

State budget stability (Presidential decree of April 28, 2020)

The country's parliament during the fourth plenary session approved the Law of the Republic of Uzbekistan "On Amendments and Additions to the Law of the Republic of Uzbekistan" On the State Budget of the Republic of Uzbekistan for 2020". This Law was developed based on the Presidential Decree "On priority measures to mitigate the negative impact on the economic sectors of the coronavirus pandemic and global crisis phenomena" and the President's decree "On measures to ensure the stability of the State budget of the Republic of Uzbekistan and timely financing of priority measures during the coronavirus pandemic."

The adoption of the Law is aimed at ensuring the stability of the state budget during the coronavirus pandemic and optimizing costs, taking into account priority areas. In this regard, appropriate changes were made to the limits of budget allocations.

Based on the President's decree, appropriate measures have been identified to reduce costs from the republican and local budgets, the legal basis for the implementation of which is enshrined in the Law. Transfers provided to local budgets are increasing in connection with the establishment of funding from local budgets of subsidies for payments for legal assistance provided by lawyers, covering the cost of electricity consumed by farms, and non-state preschool educational organizations

CONCLUSION

This rapid assessment has provided an overview of the ongoing crises caused by the novel Covid 19 and compared economic recoveries of earlier crises in order to make post-pandemic projections. As has been mentioned above, Uzbekistan has taken some on-time measures to relieve the consequent results of the ongoing pandemic, and these measures are hoped to help to restore the country's economy in the near future.

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